



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 1, 2008

The Honorable John Nelson, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed an 18-month followup of the Pinal County Transportation Excise Tax regarding the implementation status of the 15 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in June 2006 (Auditor General Report No. 06-03). As the attached grid indicates:

- 12 have been implemented;
- 2 are in the process of being implemented; and
- 1 has not been implemented.

Our Office will continue to follow up at 6-month intervals with Pinal County and the ten incorporated cities and towns within Pinal County on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

DD:Sjb
Attachment

cc: See attached Distribution List

Mr. George Hoffman, City Manager
City of Apache Junction
300 E Superstition Blvd
Apache Junction, AZ 85219

Mr. James Thompson, City Manager
City of Casa Grande
510 E Florence Blvd
Casa Grande, AZ 85222

Mr. Robert Flatley, City Manager
City of Coolidge
Coolidge City Hall—130 W Central Ave
Coolidge, AZ 85228

Mr. James A. McFellin, City Manager
City of Eloy
624 N Main St
Eloy, AZ 85231

Mr. Himanshu Patel, Town Manager
Town of Florence
775 N main St, PO Box 2670
Florence, AZ 85232

Mr. Gary Eide, Town Manager
Town of Kearny
PO Box 639, 912-C Tilbury Dr
Kearny, AZ 85237

Ms. Shannon Ortiz, Town Clerk
Town of Mammoth
PO Box 130
Mammoth, AZ 85618

Mr. Rick Buss, City Manager
City of Maricopa
PO Box 610
Maricopa, AZ 85239

Ms. Cynthia Seelhammer, Town Manager
Queen Creek Town Hall
22350 S Ellsworth Rd
Queen Creek, AZ 85242

Mr. Ralph Velez, Town Manager
Town of Superior
734 W Main St
Superior, AZ 85273-2611

Mr. Terry Doolittle, County Manager
Pinal County
31 N Pinal St
Florence, AZ 85232

Mr. Lionel Ruiz, Chair
Pinal County Board of Supervisors
31 N Pinal St, Building A
Florence, AZ 85232

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
18-Month Follow-Up Report To
Auditor General Report No. 06-03**

FINDING 1: County and cities and towns can demonstrate tax impact

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Once they are finalized, the City of Coolidge should use its small area transportation study and its capital improvement plan to identify and prioritize transportation projects that excise tax monies will fund.	Implemented at 18 Months	
2. The Town of Mammoth should formalize its transportation planning process by identifying and implementing steps such as developing a road evaluation system and holding regular, documented transportation planning meetings to identify and prioritize transportation projects. If Mammoth decides to hold meetings, these meetings should include public works employees who are familiar with local transportation needs, members of the public, and town council members.	Implemented at 6 Months	
3. The Town of Mammoth should keep a record of routine maintenance and any completed transportation projects that are funded with excise tax monies.	Implemented at 6 Months	

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
18-Month Follow-Up Report To
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FINDING 2: Improved policies and procedures needed to ensure excise tax used appropriately

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The City of Apache Junction should:		
a. Repay its Highway User Revenue Fund for the amounts of the two inappropriate expenditures, and not make such expenditures in the future. Additionally, Apache Junction should seek direction from its legal counsel regarding such expenditures and how it should repay these monies; and	Implemented at 6 Months	
b. Ensure it appropriately allocates costs that are shared with other city departments to its Highway User Revenue Fund.	Implemented at 6 Months	

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
18-Month Follow-Up Report To
Auditor General Report No. 06-03**

FINDING 2: Improved policies and procedures needed to ensure excise tax used appropriately (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
2. The Town of Mammoth should:		
a. Repay its Highway Users' Fund (Fund) for the cost of the breakfast that it provided to employees and for any monies used for employees' Christmas bonuses in fiscal years 2005 and 2006, review previous fiscal years' expenditures, and reimburse the Fund for any additional year(s) in which Christmas bonuses were paid. Mammoth should also cease to make such gifts of public monies and seek further direction from its legal counsel regarding bonuses that have been given to employees and how the Fund should be repaid;	Implemented at 6 Months	
b. Research the credit card expenditures charged to the Fund for fiscal year 2005 and determine if these expenditures were appropriate. If it cannot determine that these expenditures were appropriate, Mammoth should repay these monies to the Fund. Mammoth should also ensure that it retains adequate documentation to support charging these types of expenditures to the Fund;	Implemented at 6 Months	

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
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FINDING 2: Improved policies and procedures needed to ensure excise tax used appropriately (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
c. Implement a mechanism, such as a time accounting system, to more accurately capture the time that staff spend on street-related activities and to more accurately allocate salaries and related expenditures to the Fund;	Implemented at 6 Months	
d. Implement a mechanism or basis, such as the mechanism it develops to track employee time, to appropriately allocate shared costs to the Fund;	Not Implemented	Town officials reported that they have yet to decide on a mechanism to allocate shared costs.
e. Ensure that its basis for allocating insurance costs to the Fund does not include the costs for liability insurance coverage;	Implemented at 18 Months	
f. Make appropriate adjustments to its accounting system to correct the charge for wastewater services that was mistakenly charged to the Fund.	Implemented at 18 Months	

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
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FINDING 2: Improved policies and procedures needed to ensure excise tax used appropriately (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. The Town of Superior should:		
a. Repay its Special Revenue Fund (Fund) for the cost of the food that it provided at a utilities committee meeting and cease to make such expenditures in the future. Additionally, Superior should seek direction from its legal counsel regarding such expenditures and how it should repay the monies; and	Implemented at 18 Months	
b. Correct the charge for insecticide that was mistakenly made to the Fund.	Implemented at 18 Months	

**PINAL COUNTY
TRANSPORTATION EXCISE TAX
18-Month Follow-Up Report To
Auditor General Report No. 06-03**

FINDING 2: Improved policies and procedures needed to ensure excise tax used appropriately (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
4. To help ensure that excise tax monies are used only for street and highway purposes and transportation projects, the ten incorporated cities and towns within Pinal County should:		
a. Develop and implement written policies and procedures that specifically address restricted road monies, including the excise tax; and	Implementation in Process	Seven of the cities and towns have implemented this recommendation. The city of Maricopa and towns of Mammoth and Superior are at various points in implementing this recommendation.
b. Provide the policy to the cities' and towns' public works department officials and all others who are responsible for approving expenditures of restricted road monies.	Implementation in Process	Seven of the cities and towns have implemented this recommendation. The city of Maricopa and towns of Superior and Mammoth are at various points in implementing this recommendation.